

Teacher Group Insurance Fund

**For the Year Ended
June 30, 2003**

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

State Capitol
Nashville, Tennessee 37243-0260
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John G. Morgan
Comptroller

February 24, 2004

The Honorable Phil Bredesen, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and
The Honorable Dave Goetz, Chairman
Local Education Insurance Committee
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Teacher Group Insurance Fund for the year ended June 30, 2003. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance disclosed a deficiency, which is detailed in the Results of the Audit section of this report. The Department of Finance and Administration's management has responded to the audit finding, and the response is included following the finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/th
04/033

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Teacher Group Insurance Fund
For the Year Ended June 30, 2003

AUDIT OBJECTIVES

The objectives of the audit were to consider the fund's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, and contracts; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

INTERNAL CONTROL FINDING

The Division of Insurance Administration Does Not Monitor the Claims Processed by Insurance Companies on Behalf of the State*

The division has not been monitoring claims processing by the insurance companies to ensure that only allowable claims are paid.

This reportable condition is considered a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

* This finding is repeated from the prior audit.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

**Audit Report
Teacher Group Insurance Fund
For the Year Ended June 30, 2003**

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Teacher Group Insurance Fund For the Year Ended June 30, 2003

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Teacher Group Insurance Fund. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The Local Education Insurance Committee was created in 1986 by an act of the General Assembly, codified as Title 8, Chapter 27, Section 301, *Tennessee Code Annotated*. The purpose of the committee is to provide access to health insurance coverage to teachers in political subdivisions of the State of Tennessee.

ORGANIZATION

The Local Education Insurance Committee oversees the administration of the Teacher Group Insurance Fund. The insurance committee is composed of the Commissioner of Finance and Administration, the Comptroller of the Treasury, the State Treasurer, a representative from the Department of Education, the Commissioner of Commerce and Insurance, a representative of local school boards selected by the Tennessee School Boards Association, and three teachers elected by the Tennessee Education Association.

The Department of Finance and Administration, Division of Insurance Administration, is responsible for processing all payments and cash receipts of the fund through the state’s accounting system.

BlueCross BlueShield of Tennessee, Aetna U.S. Healthcare, United Behavioral Healthcare, and John Deere Health are the contractors for the self-insured programs. These

contractors process all participant claims, make all claim payments, provide access to a preferred provider organization, and carry out all utilization management functions.

An organization chart for the fund's administration is on the following page.

AUDIT SCOPE

The audit was limited to the period July 1, 2002, through June 30, 2003, and was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Financial statements are presented for the year ended June 30, 2003, and for comparative purposes, the year ended June 30, 2002. The Teacher Group Insurance Fund forms an integral part of state government and as such has been included as an enterprise fund in the *Tennessee Comprehensive Annual Financial Report*.

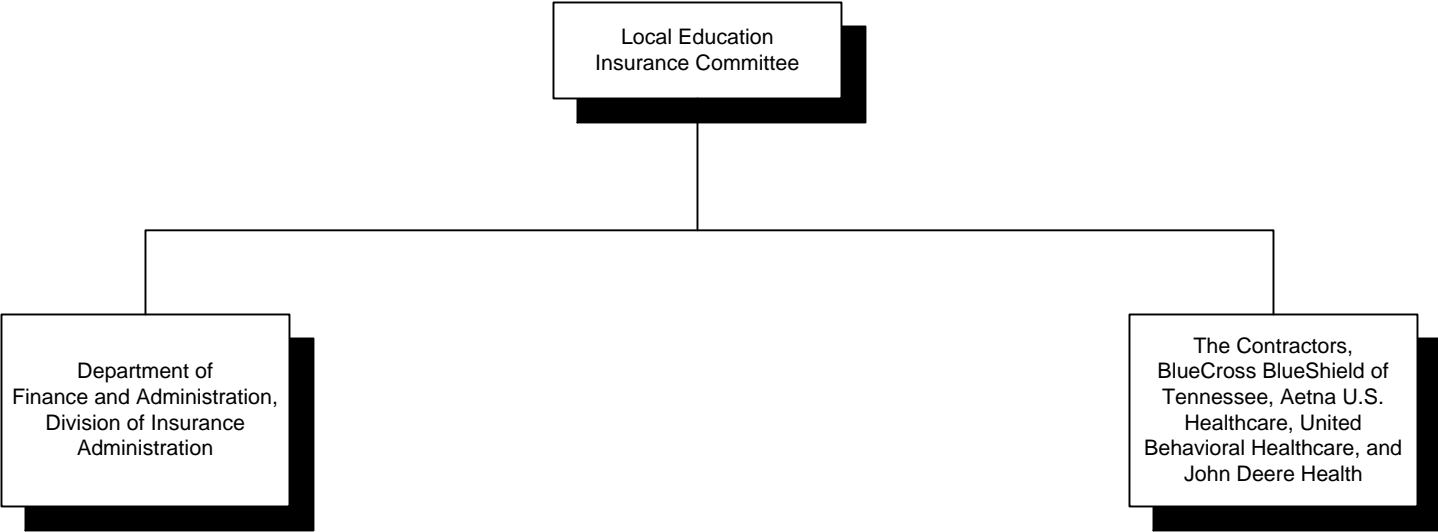
The audit covered fund 56 of the State of Tennessee Accounting and Reporting System (allotment code 317.86).

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the fund's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
2. to determine compliance with certain provisions of laws, regulations, and contracts;
3. to determine the fairness of the presentation of the financial statements; and
4. to recommend appropriate actions to correct any deficiencies.

Teacher Group Insurance Fund
Administration
Organization Chart



PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Department of Finance and Administration filed its report with the Department of Audit on August 4, 2003. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDING

The current audit disclosed that the Teacher Group Insurance Fund has corrected the previous audit finding concerning the Tennessee Insurance System not operating efficiently and effectively.

REPEATED AUDIT FINDING

The prior audit report also contained a finding concerning the Division of Insurance Administration not monitoring the claims processing by the insurance companies on behalf of the state. This finding has not been resolved and is repeated in this report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the Teacher Group Insurance Fund's financial statements for the year ended June 30, 2003, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. A reportable condition, along with the recommendation and management's response, is detailed in the finding and recommendation. Consideration of internal control over financial reporting disclosed a material weakness.

Compliance

The results of our audit tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the Teacher Group Insurance Fund's financial statements.



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT**

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**Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***

December 15, 2003

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of the Teacher Group Insurance Fund, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Teacher Group Insurance Fund's financial statements are free of material misstatement, we performed tests of the fund's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Teacher Group Insurance Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Teacher Group Insurance Fund's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements.

The following reportable condition was noted:

- The Division of Insurance Administration does not monitor the claims processed by insurance companies on behalf of the state.

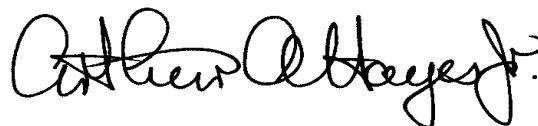
This condition is described in the Finding and Recommendation section of this report.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control over financial reporting, which we have reported to the fund's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes, Jr.", with a stylized, cursive script.

Arthur A. Hayes, Jr., CPA,
Director

AAH/th

FINDING AND RECOMMENDATION

The Division of Insurance Administration does not monitor the claims processed by insurance companies on behalf of the state

Finding

As noted in the prior-year audit, the Division of Insurance Administration does not monitor claims processing by the insurance companies. During the year ended June 30, 2003, the Teacher Group Insurance Fund healthcare plans were entirely self-insured, which means that the state is responsible for 100% of the payments to healthcare providers. The insurance companies do not participate in the cost of services and therefore do not have a monetary incentive to ensure that the claims are valid and reasonable. The insurance companies are paid an administrative fee, based on the total number of members, to process the claims. As the claims are processed, one of the insurance companies, BlueCross BlueShield of Tennessee (BCBS), writes checks from the state account to pay the claim. BCBS then sends the last page of the check register, which shows the total amount paid, as support for the payments. Insurance companies other than BCBS pay claims and then bill for reimbursement from the state.

The Division of Insurance Administration does not monitor the claims processing by these companies to ensure that only allowable claims are being processed and that claims are being processed correctly. Without this control, the insurance companies have the ability to pay unallowable claims with state funds or be reimbursed by state funds. This could result in increased claim payments for the state and unnecessary insurance premium increases.

Management responded to the prior audit finding and agreed that the process of auditing claims for all self-insured plans should be reinstituted. However, the monitoring process was not in place during the year ended June 30, 2003. Subsequent to June 30, 2003, the division did arrange for the Medicaid/TennCare section of the Comptroller's Office to perform this function.

Recommendation

The Director of Insurance Administration should follow through with plans for monitoring the insurance companies to ensure that claims being paid are in fact allowable and that they have been processed correctly.

Management's Comment

We concur. In the past, the Division of State Audit has, at the request of the Division of Insurance Administration, conducted audits of the claims payment by BlueCross BlueShield of Tennessee. The purpose of these audits was to determine whether claims were paid in accordance with plan benefits as defined in the Plan Document, the contract between BlueCross BlueShield of Tennessee and the State and provided all of the financial considerations found in

the Blue Cross provider contracts. The Division agrees that the process of auditing claims for all self-insured plans needs to be re-instituted.

The Division has reached an agreement with the Division of State Audit to begin in spring of 2004 an audit of calendar year 2003 claims processed by BlueCross BlueShield of Tennessee, John Deere HealthCare, and Aetna. These insurance companies are under contract with the State to process claim payments for the self-insured plan options sponsored by the State. The audit will evaluate whether claims are being processed according to the State's plan benefits and contractor requirements.



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Independent Auditor's Report

December 15, 2003

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying statements of net assets of the Teacher Group Insurance Fund, an enterprise fund of the State of Tennessee, as of June 30, 2003, and June 30, 2002, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements, based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Teacher Group Insurance fund, an enterprise fund, and do not purport to, and do not, present fairly the financial position of the State of Tennessee, as of June 30, 2003, and June 30, 2002, and the changes in its

The Honorable John G. Morgan
December 15, 2003
Page Two

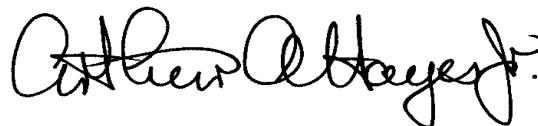
financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Teacher Group Insurance Fund of the State of Tennessee, as of June 30, 2003, and June 30, 2002, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information, including ten-year claims development information on page 19, is not a required part of the basic financial statements, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. As a result of such limited procedures, we believe that the information described above is not in conformity with guidelines required by accounting principles generally accepted in the United States of America because the information about estimated incurred claims and expenses and cumulative claims paid from January 1, 1994, through December 31, 1999, is not shown, and incurred claims and expenses were not reestimated.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2003, on our consideration of the fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." in a cursive script.

Arthur A. Hayes, Jr., CPA,
Director

AAH/th

Teacher Group Insurance Fund
Statements of Net Assets
June 30, 2003, and June 30, 2002

(Expressed in Thousands)

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Assets:		
Current assets:		
Cash (Note 2)	\$ 30,150	\$ 12,268
Accounts receivable	<u>1,964</u>	<u>247</u>
Total assets	<u>32,114</u>	<u>12,515</u>
Liabilities:		
Current liabilities:		
Accounts payable and accruals	22,823	23,943
Deferred revenue	<u>991</u>	<u>622</u>
Total liabilities	<u>23,814</u>	<u>24,565</u>
Net Assets:		
Unrestricted (deficit)	<u>8,300</u>	<u>(12,050)</u>
Total net assets	<u><u>\$ 8,300</u></u>	<u><u>\$ (12,050)</u></u>

The notes to the financial statements are an integral part of this statement.

Teacher Group Insurance Fund
Statements of Revenues, Expenses, and Changes in Fund Net Assets
For the Years Ended June 30, 2003, and June 30, 2002

	(Expressed in Thousands)	
	Year Ended June 30, 2003	Year Ended June 30, 2002
Operating revenues:		
Premiums	\$ 249,838	\$ 203,362
Other	<u>-</u>	<u>8</u>
Total operating revenue	<u>249,838</u>	<u>203,370</u>
Operating expenses:		
Contractual services	19,951	17,932
Benefits	215,319	190,959
Other	<u>1,320</u>	<u>1,448</u>
Total operating expenses	<u>236,590</u>	<u>210,339</u>
Total operating income (loss)	<u>13,248</u>	<u>(6,969)</u>
Nonoperating revenues:		
Interest income	<u>252</u>	<u>307</u>
Total nonoperating revenues	<u>252</u>	<u>307</u>
Income (loss) before transfer	13,500	(6,662)
Transfers from state general fund (Note 3)	<u>6,850</u>	<u>4,639</u>
Increase (decrease) in net assets	20,350	(2,023)
Net assets, July 1	<u>(12,050)</u>	<u>(10,027)</u>
Net assets, June 30	\$ <u><u>8,300</u></u>	\$ <u><u>(12,050)</u></u>

The notes to the financial statements are an integral part of this statement.

Teacher Group Insurance Fund
Statements of Cash Flows
For the Years Ended June 30, 2003 and June 30, 2002

(Expressed in Thousands)		
	Year Ended June 30, 2003	Year Ended June 30, 2002
Cash flows from operating activities:		
Receipts from fund members	\$ 249,699	\$ 204,395
Payments to insurance companies and health care providers	(237,599)	(210,414)
Payments for state services	(1,320)	(1,448)
Net cash from (used for) operating activities	10,780	(7,467)
Cash flows from noncapital financing activities:		
Transfers in	6,850	4,639
Net cash from noncapital financing activities	6,850	4,639
Cash flows from investing activities:		
Interest received	252	307
Net cash from investing activities	252	307
Net increase (decrease) in cash	17,882	(2,521)
Cash, July 1	12,268	14,789
Cash, June 30	\$ 30,150	\$ 12,268
Reconciliation of operating income (loss) to net cash from (used for) operating activities:		
Operating income (loss)	\$ 13,248	\$ (6,969)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities:		
Increase in accounts receivable	(1,717)	(148)
Decrease in accounts payable	(1,120)	(491)
Increase in deferred revenue	369	141
Total adjustments	(2,468)	(498)
Net cash from (used for) operating activities	\$ 10,780	\$ (7,467)

The notes to the financial statements are an integral part of this statement.

Teacher Group Insurance Fund
Notes to the Financial Statements
June 30, 2003, and June 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Teacher Group Insurance Fund is used to account for revenues received and claims paid on behalf of teachers in political subdivisions of the state who have elected coverage under a group medical plan similar to that offered to state employees. The fund has been included as an enterprise fund in the *Tennessee Comprehensive Annual Financial Report*.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Teacher Group Insurance Fund follows all applicable GASB pronouncements as well as applicable private-sector pronouncements issued on or before November 30, 1989.

C. Measurement Focus and Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Operating revenues and expenses are distinguished from nonoperating items in the Teacher Group Insurance Fund. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing insurance operations. Operating expenses include the cost of those services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash

Cash is defined as cash on hand and demand deposits, such as the pooled investment fund.

Teacher Group Insurance Fund
Notes to the Financial Statements (Cont.)
June 30, 2003, and June 30, 2002

E. New Accounting Pronouncement

Effective July 1, 2001, the fund adopted GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. To conform to the requirements of GASB 34, the statement of financial position is now presented in a statement of net assets format rather than a balance sheet format, and retained earnings and contributed capital have been reclassified as unrestricted net assets.

NOTE 2. DEPOSITS

The Teacher Group Insurance Fund had \$30,149,984 and \$12,267,963 in the State Treasurer's pooled investment fund at June 30, 2003, and June 30, 2002, respectively. The pooled investment fund is authorized by statute to invest funds in accordance with policy guidelines approved by the State Funding Board. The current resolution of that board gives the Treasurer approval to invest in collateralized certificates of deposit in authorized state depositories, prime commercial paper and prime bankers' acceptances, bonds, notes, and bills of the United States Treasury or other obligations guaranteed as to principal and interest by the United States or any of its agencies and in repurchase agreements for obligations of the United States or its agencies which are fully guaranteed as to principal and interest by the United States; and in certain obligations of the state. The pooled investment fund's custodial credit risk is presented in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Eighth Avenue North, Nashville, Tennessee 37243-0298.

NOTE 3. TRANSFERS FROM STATE GENERAL FUND

During the year ending June 30, 2003, and June 30, 2002, the Teacher Group Insurance Fund received transfers of \$6,849,597 and \$4,639,072, respectively, from the State of Tennessee's general fund to support the operations of the fund.

NOTE 4. RISK MANAGEMENT

The Teacher Group Insurance Fund, a public entity risk pool, was established in January 1986 to provide a program of health insurance coverage for the teachers and

Teacher Group Insurance Fund
Notes to the Financial Statements (Cont.)
June 30, 2003, and June 30, 2002

other education system employees of the political subdivisions of the state. In accordance with Section 8-27-302, *Tennessee Code Annotated*, all local education agencies are eligible to participate. Fund members at June 30, 2003, included 122 local education agencies and two education cooperatives, with 42,020 teachers and support personnel, and 3,572 retirees enrolled in one of three health care options: preferred provider organization plan, point of service plan, or a health maintenance organization. The state retains an immaterial risk for loss by this fund.

The Teacher Group Insurance Fund assumes responsibility for determining plan benefits and eligibility, establishing premiums sufficient to fund plan obligations, recording and reporting financial transactions accurately, reporting enrollment to vendors, processing claims submitted for services provided to plan participants, communicating with plan participants, and complying with appropriate state and federal laws and regulations. Plan participants are required to pay premiums on time, file claims for services received, report changes in eligibility of themselves or their dependents, and ensure that only eligible expenses are paid by the plan. Individuals who cancel coverage may be required to demonstrate a qualifying event to rejoin the plan. Employers must wait 24 months before rejoining the plan if the employer elects to withdraw from the plan. In the case of the individuals or groups rejoining the plan, a preexisting condition exclusion currently applies.

The Teacher Group Insurance Fund establishes claims liabilities for self-insured options based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Teachers and providers have 13 months to file medical claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates. At June 30, 2003, the Local Education Insurance Committee had established reserve requirements, based on claims payments for the prior 12 months, of 10% for the PPO, POS, and HMO options. At June 30, 2002, this reserve requirement was established at 12%. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made. The Teacher Group Insurance Fund considers investment income in determining if a premium deficiency exists.

As discussed above, the Teacher Group Insurance Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents

Teacher Group Insurance Fund
Notes to the Financial Statements (Cont.)
June 30, 2003, and June 30, 2002

changes in those aggregate liabilities during the past two years (expressed in thousands):

	<u>2003</u>	<u>2002</u>
Unpaid claims at the beginning of the year	\$ 23,943	\$ 24,430
Incurred claims:		
Provision for insured events of the current year	228,230	199,521
Decrease in provision for insured events of prior years	<u>(4,939)</u>	<u>(6,362)</u>
Total incurred claims expenses	<u>223,291</u>	<u>193,159</u>
Payments:		
Claims attributable to insured events of the current year	205,407	175,578
Claims attributable to insured events of prior years	<u>19,004</u>	<u>18,068</u>
Total payments	<u>224,411</u>	<u>193,646</u>
Total unpaid claims at the end of the year	\$ <u>22,823</u>	\$ <u>23,943</u>

Teacher Group Insurance Fund

Required Supplementary Information

Ten-Year Claims Development Information

The table below illustrates how the Teacher Group Insurance Fund's earned revenues and investment income compare to related costs of loss and other expenses assumed by the fund for each of the last ten years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the fund, including overhead and claims expense not allocable to individual claims. (3) This line shows the fund's incurred claims and allocated claim adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year); some of these amounts are unavailable. (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year; some of these amounts are unavailable. (5) This section shows how each policy year's incurred claims increased or decreased as of the end of successive years; some of these amounts are unavailable. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature fiscal years. The columns of the table show data for successive fiscal and policy years.

	Fiscal and Policy Year Ended (Expressed in thousands of dollars)									
	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
(1) Required contribution and investment revenue earned (fiscal year)	75,715	79,410	83,340	95,185	109,968	123,419	126,918	166,476	203,669	250,090
(2) Unallocated expenses (fiscal year)	2,224	1,794	3,722	3,768	5,193	6,685	13,261	15,961	19,380	21,271
(3) Estimated claims and expenses, end of policy year	*	*	*	*	*	*	141,005	185,219	210,650	*
(4) Paid (cumulative) as of:										
End of policy year	*	*	*	*	*	*	124,084	162,993	189,585	*
One year later	*	*	*	*	*	*	139,458	182,699	*	
Two years later	*	*	*	*	*	*	139,349	*		
Three years later	*	*	*	*	*	*	*			
Four years later	*	*	*	*	*	*				
Five years later	*	*	*	*	*					
Six years later	*	*	*	*						
Seven years later	*	*	*							
Eight years later	*	*								
Nine years later	*									

Teacher Group Insurance Fund
Required Supplementary Information (Cont.)
Ten-Year Claims Development Information

	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
(5) Reestimated incurred claims and expenses:										
End of policy year	*	*	*	*	*	*	141,005	185,219	210,650	*
One year later	*	*	*	*	*	*	139,401	182,581	*	
Two years later	*	*	*	*	*	*	139,357	*		
Three years later	*	*	*	*	*	*	*			
Four years later	*	*	*	*	*	*				
Five years later	*	*	*	*	*					
Six years later	*	*	*	*						
Seven years later	*	*	*							
Eight years later	*	*								
Nine years later	*									
(6) Increase (decrease) in estimated net incurred claims and expenses from end of policy year	*	*	*	*	*	*	(1,648)	(2,638)	0	*

* Data not available